



General Assembly

January Session, 2005

Raised Bill No. 1358

LCO No. 4904

04904_____FIN

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

***AN ACT CONCERNING THE CREATION, MANAGEMENT AND
FUNDING OF MUNICIPAL POST-EMPLOYMENT HEALTH AND LIFE
BENEFIT SYSTEMS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 7-374 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2005*):

4 (b) No town and no municipality coterminous with or within such
5 town shall incur any indebtedness in any of the following classes
6 through the issuance of bonds which will cause the aggregate
7 indebtedness, in that class, of such town and of all municipalities
8 coterminous with and within such town, jointly, to exceed the multiple
9 stated below for each class times the aggregate annual receipts of such
10 town and of all municipalities coterminous with and within such town,
11 jointly, from taxation for the most recent fiscal year next preceding the
12 date of issue: (1) All debt other than debt for urban renewal projects,
13 water pollution control projects, school building projects, as defined in
14 section 10-289, and the funding of an unfunded past benefit obligation,
15 as defined in section 7-374c, as amended by this act, two and one-
16 quarter; (2) debt for urban renewal projects, three and one-quarter; (3)

17 debt for water pollution control projects, three and three-quarters; (4)
18 debt for school building projects, as defined in section 10-289, four and
19 one-half; (5) debt for the funding of an unfunded past benefit
20 obligation, as defined in section 7-374c, as amended by this act, with
21 respect to a pension plan, three; [and] (6) debt for the funding of an
22 unfunded past benefit obligation, as defined in section 7-374c, as
23 amended by this act, with respect to a post-employment health and life
24 benefit plan, three; and (7) total debt including subdivisions (1), (2), (3),
25 (4), [and] (5) and (6) of this subsection, seven. In the computation of
26 annual receipts from taxation, there shall be included as such receipts
27 interest, penalties, late payment of taxes and payments made by the
28 state to such town and to municipalities coterminous with and within
29 such town under section 12-129d and section 7-528. In computing such
30 aggregate indebtedness, there shall be excluded each bond, note and
31 other evidence of indebtedness (i) issued in anticipation of taxes; (ii)
32 issued for the supply of water, for the supply of gas, for the supply of
33 electricity, for the construction of subways for cables, wires and pipes,
34 for the construction of underground conduits for cables, wires and
35 pipes and for two or more of such purposes; (iii) issued in anticipation
36 of the receipt of proceeds from assessments which have been levied
37 upon property benefited by any public improvement; (iv) issued in
38 anticipation of the receipt of proceeds from any state or federal grant
39 for which the town or municipality has received a written commitment
40 or for which an allocation has been approved by the State Bond
41 Commission or from a contract with the state, a state agency or another
42 municipality providing for the reimbursement of capital costs but only
43 to the extent such indebtedness can be paid from such proceeds; (v)
44 issued for water pollution control projects in order to meet the
45 requirements of an abatement order of the Commissioner of
46 Environmental Protection, provided the municipality files a certificate
47 signed by its chief fiscal officer with the commissioner demonstrating
48 to the satisfaction of the commissioner that the municipality has a plan
49 for levying a system of charges, assessments or other revenues which
50 are sufficient, together with other available funds of the municipality,

51 to repay such obligations as the same become due and payable; and
52 (vi) upon placement in escrow of the proceeds of refunding bonds,
53 notes or other obligations or other funds of the municipality in an
54 amount sufficient, together with such investment earnings thereon as
55 are to be retained in said escrow, to provide for the payment when due
56 of the principal of and interest on such bond, note or other evidence of
57 indebtedness. "Urban renewal project", as used in this section, shall
58 include any project authorized under title 8, the bonds for which are
59 not otherwise, by general statute or special act, excluded from the
60 computation of aggregate indebtedness or borrowing capacity. In the
61 case of a town that is a member of a regional school district, a portion
62 of the aggregate indebtedness of such regional school district shall be
63 included in the aggregate indebtedness of such town for school
64 building projects for the purposes of this section. Such portion shall be
65 determined by applying to the indebtedness of the district, other than
66 indebtedness issued in anticipation of the receipt by the district of
67 payments by its member towns or the state for the operations of such
68 district's schools and of proceeds from any state or federal grant for
69 which the district has received a written commitment or for which an
70 allocation has been approved by the State Bond Commission or from a
71 contract with the state, a state agency or another municipality
72 providing for the reimbursement of capital costs but only to the extent
73 such indebtedness can be paid from such proceeds, such member
74 town's percentage share of the net expenses of such district for the
75 most recent fiscal year next preceding the date of issue payable by such
76 town as determined in accordance with subsection (b) of section 10-51.

77 Sec. 2. Subsection (b) of section 7-374b of the general statutes is
78 repealed and the following is substituted in lieu thereof (*Effective*
79 *October 1, 2005*):

80 (b) [Any] Notwithstanding the provisions of subsection (c) of
81 section 7-374c, as amended by this act, any municipality may authorize
82 the issuance of bonds, notes or other obligations in accordance with the
83 provisions of this chapter for the purpose of funding a loss and retiree

84 benefits reserve fund established pursuant to section 7-403a, as
85 amended by this act.

86 Sec. 3. Section 7-374c of the general statutes is repealed and the
87 following is substituted in lieu thereof (*Effective October 1, 2005*):

88 (a) For purposes of this section:

89 (1) "Actuarial valuation" means a determination certified by an
90 enrolled actuary, in a method and using assumptions meeting the
91 parameters established by generally accepted accounting principles, of
92 the normal cost, actuarial accrued liability, actuarial value of assets and
93 related actuarial present values for a pension or post-employment
94 health and life benefit plan of a municipality as of a valuation date not
95 more than thirty months preceding the date of issue of the pension or
96 other post-employment benefit deficit funding bonds, together with an
97 actuarial update of such valuation as of a date not more than three
98 months preceding the date of notification of the secretary by the
99 municipality, in accordance with subdivision (1) of subsection (c) of
100 this section, of its intent to issue the pension or other post-employment
101 benefit deficit funding bonds.

102 (2) "Actuarially recommended contribution" means the lesser of the
103 annual employer normal cost or the recommended annual required
104 contribution to the pension or post-employment health and life benefit
105 plan of the municipality, each of which is established by the actuarial
106 valuation and determined by an enrolled actuary in a method and
107 using assumptions meeting the parameters established by generally
108 accepted accounting principles provided such contribution shall, in a
109 time and manner to be prescribed by regulations adopted by the
110 secretary, in consultation with the Treasurer, be at least equal to the
111 amount actuarially determined necessary to maintain the pension or
112 post-employment health and life benefit plan's funding ratio
113 substantially the same as immediately succeeding the deposit of the
114 proceeds of the pension or post-employment health and life benefit
115 deficit funding bonds in such pension or post-employment health and

116 life benefit plan.

117 (3) "Chief executive officer" means such officer as described in
118 section 7-193.

119 (4) "Enrolled actuary" means a person who is enrolled by the Joint
120 Board for the Enrollment of Actuaries established under subtitle C of
121 title III of the Employee Retirement Income Security Act of 1974, as
122 from time to time amended.

123 (5) "General obligation" means an obligation issued by a
124 municipality and secured by the full faith and credit and taxing power
125 of such municipality.

126 (6) "Municipal Finance Advisory Commission" means the Municipal
127 Finance Advisory Commission established pursuant to section 7-394b.

128 (7) "Municipality" means a municipality, as defined in section 7-369.

129 (8) "Obligation" means any bond or any other transaction which
130 constitutes debt in accordance with both municipal reporting
131 standards in section 7-394a and the regulations prescribing municipal
132 financial reporting adopted by the secretary pursuant to said section 7-
133 394a.

134 (9) "Pension or other post-employment benefit deficit funding bond"
135 means any obligation issued by a municipality to fund, in whole or in
136 part, an unfunded past benefit obligation. "Pension or other post-
137 employment benefit deficit funding bond" shall not include any bond
138 issued by a municipality pursuant to and in accordance with the
139 provisions of subsection (g) of this section to pay, fund or refund prior
140 to maturity any of its pension or other post-employment benefit deficit
141 funding bonds previously issued, or any bond issued prior to January
142 1, 1999, but may include any bond issued by a municipality prior to
143 January 1, 1999, for the sole and exclusive purposes of (A) applying the
144 provisions of subsection (f) of this section in lieu of subsection (c) of
145 section 7-403a as the municipality may determine, and (B) requiring

146 the municipality to apply and comply with the provisions of
147 subsections (c) and (d) of this section.

148 (10) "Secretary" means the Secretary of the Office of Policy and
149 Management or the secretary's designee.

150 (11) "Treasurer" means the Treasurer of the state of Connecticut or
151 the Treasurer's designee.

152 (12) "Unfunded past benefit obligation" means the unfunded
153 actuarial accrued liability of the pension or post-employment health
154 and life benefit plan determined in a method and using assumptions
155 meeting the parameters established by generally accepted accounting
156 principles.

157 (13) "Weighted average maturity" means (A) the sum of the
158 products, determined separately for each maturity or sinking fund
159 payment date and taking into account any mandatory redemptions of
160 the obligation, of (i) with respect to a serial obligation, the principal
161 amount of each serial maturity of such obligation and the number of
162 years to such maturity, or (ii) with respect to a term obligation, the
163 dollar amount of each mandatory sinking fund payment with respect
164 to such obligation and the number of years to such payment, divided
165 by (B) the aggregate principal amount of such obligation.

166 (b) Except as expressly provided in this section, no municipality
167 shall issue any pension or other post-employment benefit deficit
168 funding bond.

169 [(c) Any municipality which has no outstanding pension deficit
170 funding bonds, other than an earlier series of such obligations issued
171 under section 7-374 or this section to partially fund an unfunded past
172 pension obligation, may authorize and issue pension deficit funding
173 bonds to fund all or a portion of an unfunded past benefit obligation,
174 as determined by an actuarial valuation, and the payment of costs
175 related to the issuance of such bonds in accordance with the following

176 requirements.]

177 (c) (1) Any municipality may, in accordance with the requirements
178 in subdivisions (2) and (3) of this subsection, authorize and issue
179 pension or other post-employment benefit deficit funding bonds to
180 fund the payment of costs related to the issuance of such bonds and all
181 or a portion of an unfunded past benefit obligation, (A) with respect to
182 a pension plan, provided the municipality has no outstanding pension
183 or other post employment benefit deficit funding bonds issued to fund
184 in whole or in part an unfunded past pension obligation, other than an
185 earlier series of such obligations issued pursuant to this section or
186 subsection (b) of section 7-374b, as amended by this act, to partially
187 fund an unfunded past pension obligation, or (B) with respect to a
188 post-employment health and life benefit plan, provided the
189 municipality has no outstanding pension or other post-employment
190 benefit deficit funding bonds issued to fund in whole or in part an
191 unfunded past post-employment health and life benefit obligation,
192 other than an earlier series of such obligations issued pursuant to this
193 section to partially fund an unfunded past post-employment health
194 and life benefit obligation.

195 ~~[(1)]~~ (2) The municipality shall, within the time and in the manner
196 prescribed by regulations adopted by the secretary or as otherwise
197 required by the secretary, notify the secretary of its intent to issue such
198 pension or other post-employment benefit deficit funding bonds and
199 shall include with such notice (A) the actuarial valuation, (B) an
200 actuarial analysis of the method by which the municipality proposes to
201 fund any unfunded past benefit obligation not to be defrayed by the
202 pension or other post-employment benefit deficit funding bonds,
203 which method may include a plan of issuance of a series of pension or
204 other post-employment benefit deficit funding bonds, (C) an
205 explanation of the municipality's investment strategic plan for the
206 pension or post-employment health and life benefit plan with respect
207 to which the pension or other post-employment benefit deficit funding
208 bonds are to be issued, including, but not limited to, an asset

209 allocation plan, (D) a three-year financial plan, including the plan of
210 finance for such pension or other post-employment benefit deficit
211 funding bonds, prepared in the manner prescribed by the secretary, (E)
212 documentation of the municipality's authorization of the issuance of
213 such pension or other post-employment benefit deficit funding bonds,
214 and (F) such other information and documentation, as defined in
215 regulations, as [is] are required by the secretary or the Treasurer to
216 carry out the provisions of this section.

217 ~~[(2)]~~ (3) So long as the pension or other post-employment benefit
218 deficit funding bonds or any bond refunding such bonds are
219 outstanding, the municipality shall (A) meet any actuarially
220 recommended contribution in each fiscal year of the municipality
221 commencing with the fiscal year in which the bonds are issued, and (B)
222 notify the secretary annually, who shall in turn notify the Treasurer, of
223 the amount and the rate of any such actuarially recommended
224 contribution and the amount and the rate, if any, of the actual annual
225 contribution by the municipality to the pension or post-employment
226 health and life benefit plan to meet such actuarially recommended
227 contribution.

228 ~~[(3)]~~ (4) The municipality shall not issue pension or other post-
229 employment benefit deficit funding bonds prior to, nor more than six
230 months subsequent to, receipt of the written final review required
231 under subsection (d) of this section. A municipality may renotify the
232 secretary of its intention to issue pension or other post-employment
233 benefit deficit funding bonds and provide the secretary with updated
234 information and documentation in the manner and as described in
235 subdivision ~~[(1)]~~ (2) of this subsection, and request an updated final
236 review from the secretary if more than six months will elapse between
237 the receipt of the prior final review of the secretary and the proposed
238 date of issue of the pension or other post-employment benefit deficit
239 funding bonds.

240 (d) Upon receipt of notification from a municipality that it intends

241 to issue pension or other post-employment benefit deficit funding
242 bonds, the secretary shall inform the Treasurer and the Municipal
243 Finance Advisory Commission of such notification. The secretary and
244 the Treasurer shall review the information and documentation
245 required in subsection (c) of this section and within fifteen days shall
246 notify the municipality as to the adequacy of the materials provided
247 and whether any additional information is required. The secretary and
248 the Treasurer shall issue a written final review to the municipality
249 verifying that the municipality has complied with the provisions of
250 subdivision [(1)] (2) of subsection (c) of this section and, including any
251 recommendations to the municipality concerning the issuance of
252 pension or other post-employment benefit deficit funding bonds, not
253 later than thirty days following the receipt of such information and
254 documentation. The secretary shall file a copy of such final review
255 with the chief executive officer of the municipality and the Municipal
256 Finance Advisory Commission. If the secretary and the Treasurer fail
257 to provide a written final review to the municipality by the forty-fifth
258 day following the receipt of such information and documentation,
259 such final review shall be deemed to have been received by the
260 municipality.

261 (e) Except as otherwise provided by this section, the provisions and
262 limitations of this chapter shall apply to any pension or other post-
263 employment benefit deficit funding bonds issued pursuant to the
264 provisions of this section. Such pension or other post-employment
265 benefit deficit funding bonds shall be general obligations of the
266 municipality, and shall be serial bonds maturing in annual or
267 semiannual installments of principal, or shall be term bonds with
268 mandatory annual or semiannual deposits of sinking fund payments
269 into a sinking fund. Notwithstanding the provisions of any other
270 general statute or of any special act, charter, special act charter, home-
271 rule ordinance, local ordinance or local law, (1) the first installment of
272 any series of pension or other post-employment benefit deficit funding
273 bonds shall mature or the first sinking fund payment of any series of
274 pension or other post-employment benefit deficit funding bonds shall

275 be due not later than eighteen months from the date of the issue of
276 such series, provided that such first installment shall mature or such
277 first sinking fund payment shall be due not later than the fiscal year of
278 the municipality next following the fiscal year in which such series is
279 issued, and the last installment of such series shall mature or the last
280 sinking fund payment of such series shall be due not later than thirty
281 years from such date of issue, (2) any such pension or other post-
282 employment benefit deficit funding bonds may be sold at public sale
283 on sealed proposal, by negotiation or by private placement in such
284 manner at such price or prices, at such time or times and on such terms
285 or conditions as the municipality, or the officers or board of the
286 municipality delegated the authority to issue such bonds, determines
287 to be in the best interest of the municipality, and (3) no municipality
288 shall issue temporary notes in anticipation of the receipt of the
289 proceeds from the sale of its pension or other post-employment benefit
290 deficit funding bonds.

291 (f) Proceeds of the pension or other post-employment benefit deficit
292 funding bonds, to the extent not applied to the payment of costs
293 related to the issuance thereof, shall be deposited in the pension or
294 post-employment health and life benefit plan of the municipality to
295 fund the unfunded past benefit obligation for which the bonds were
296 issued, and, notwithstanding any limitations on the investment of
297 proceeds received from the sale of bonds, notes or other obligations set
298 forth in section 7-400 may be invested in accordance with the terms of
299 said pension or post-employment health and life benefit plan, as such
300 terms may be amended from time to time.

301 (g) A municipality may authorize and issue refunding bonds to pay,
302 fund or refund prior to maturity any of its pension or other post-
303 employment benefit deficit funding bonds in accordance with the
304 provisions of section 7-370c, provided, notwithstanding the provisions
305 of said section 7-370c, the weighted average maturity of such
306 refunding bonds shall not exceed the weighted average maturity of the
307 outstanding pension or other post-employment benefit deficit funding

308 bonds being paid, funded or refunded by such refunding bonds. The
309 municipality shall notify the secretary, who shall in turn notify the
310 Treasurer, of its intention to issue refunding bonds pursuant to this
311 subsection, not less than fifteen days prior to the issuance thereof, and
312 shall provide the secretary with a copy of the final official statement, if
313 any, prepared for the refunding bonds, not more than fifteen days after
314 the date of issue of such bonds.

315 (h) The secretary, in consultation with the Treasurer, shall adopt
316 regulations, in accordance with the provisions of chapter 54, as
317 necessary to establish guidelines concerning compliance with the
318 provisions of subsections (c), (d) and (g) of this section.

319 Sec. 4. Subsection (a) of section 7-403a of the general statutes is
320 repealed and the following is substituted in lieu thereof (*Effective*
321 *October 1, 2005*):

322 (a) [Upon] Notwithstanding the provisions of subsection (b) of
323 section 7-450, as amended by this act, upon the recommendation of the
324 chief executive officer of a municipality and approval of the budget-
325 making authority of the municipality, the legislative body of any
326 municipality, as defined in section 7-369, may, by a majority vote,
327 create a loss and retiree benefits reserve fund.

328 Sec. 5. Section 7-450 of the general statutes is repealed and the
329 following is substituted in lieu thereof (*Effective October 1, 2005*):

330 (a) Any municipality or subdivision thereof may, by ordinance,
331 establish pension, [and] retirement, or other post-employment health
332 and life benefit systems for its officers and employees and their
333 beneficiaries, or amend any special act concerning its pension, [or]
334 retirement, or other post-employment health and life benefit [system]
335 systems, toward the maintenance in sound condition of a pension,
336 retirement, or other post-employment health and life benefit fund or
337 funds, provided the rights or benefits granted to any individual under
338 any municipal pension, retirement or [pension] other post-

339 employment health and life benefit system shall not be diminished or
 340 eliminated. The legislative body of any such municipality, by a two-
 341 thirds vote, may provide for pensions to persons, including survivors'
 342 benefits for widows of such persons, not included in such pension or
 343 retirement [or pension] system.

344 (b) The provisions of subsection (a) of this section shall not operate
 345 to invalidate the establishment of any post-employment health and life
 346 benefit system duly established prior to the effective date of this act, by
 347 any municipality or subdivision thereof, pursuant to the provisions of
 348 any public or special act, charter, special act charter, home-rule
 349 ordinance, local ordinance or local law.

350 Sec. 6. Section 7-450a of the general statutes is repealed and the
 351 following is substituted in lieu thereof (*Effective October 1, 2005*):

352 (a) Any municipality, in which a pension, [or] retirement, or other
 353 post-employment health and life benefit system applicable with
 354 respect to any employees of such municipality has been established by
 355 ordinance or under the authority of any public or special act, charter or
 356 special act charter, shall have prepared, no less often than once every
 357 five years commencing July 1, 1977, an actuarial evaluation of such
 358 system, including evaluation of accumulated or past service liability
 359 and the annual liability related to benefits currently earned under such
 360 system. Such evaluation shall be prepared by an actuary enrolled by
 361 the joint board for the enrollment of actuaries established under
 362 Subtitle C of Title III of the federal act entitled Employee Retirement
 363 Income Security Act of 1974, and such evaluation shall be prepared on
 364 the basis of such assumptions as to interest earnings, mortality
 365 experience, employee turnover and any other factors affecting future
 366 liabilities under such system, which in the judgment of such actuary
 367 represent the best estimate as to future experience under such system.

368 (b) No ordinance or act altering the pension, [or] retirement, or
 369 other post-employment health and life benefit system shall be enacted
 370 until the legislative body, as defined in subsection (3) of section 7-425,

371 has requested and received a qualified cost estimate from such
372 enrolled actuary.

373 (c) Any municipality subject to the requirements in subsection (a) of
374 this section shall have prepared, within six months following the
375 adoption of any amendment to such system increasing benefits to any
376 extent, in addition to such evaluations as required under subsection
377 (a), a revision of the last preceding evaluation reflecting the increase in
378 potential municipal liability under such system. If such amendment is
379 adopted within one year preceding a date on which an actuarial
380 evaluation is required under subsection (a) of this section, an
381 additional evaluation shall not be required.

382 (d) Any actuarial evaluation prepared for a municipality in
383 accordance with this section shall be delivered to the chief fiscal officer
384 of such municipality who shall file a certified copy thereof with the
385 town or city clerk for custody in the manner of other public records. A
386 summary of such evaluation, including a statement prepared by the
387 actuary as to the amount of annual payment that should be made for
388 proper funding on the basis of such evaluation with respect to benefits
389 currently earned and the accumulated or past service liability, shall be
390 included in the first annual report of the municipality next following
391 completion of each such evaluation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2005</i>	7-374(b)
Sec. 2	<i>October 1, 2005</i>	7-374b(b)
Sec. 3	<i>October 1, 2005</i>	7-374c
Sec. 4	<i>October 1, 2005</i>	7-403a(a)
Sec. 5	<i>October 1, 2005</i>	7-450
Sec. 6	<i>October 1, 2005</i>	7-450a

Statement of Purpose:

To provide for the creation, management and funding of post-employment health and life benefit systems by municipalities.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]